



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of County Commissioners
Yellowstone County
Billings, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yellowstone County, Montana (the County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of governance, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson ZurMuehlen + Co., P.C.

Billings, Montana
December 22, 2008



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of County Commissioners
Yellowstone County
Billings, Montana

Compliance

We have audited the compliance of Yellowstone County, Montana (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to its major federal program for the year ended June 30, 2008. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Yellowstone County, Montana complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. This report is intended solely for the information and use of governance, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zuercher + Co., P.C.

Billings, Montana
December 22, 2008

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/07</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/08</u>
U.S. Department of Transportation							
Passed through State Department of Transportation / Highway Traffic Safety:							
Yellowstone County STEP OT	20.601	2007-23-01-28/2007-21-02-28	16,250	0	11,144	11,144	0
Yellowstone County STEP OT	20.601	2008-13-13-34/2008-09-08-34	10,000	0	8,084	8,084	0
			26,250	-	19,228	19,228	-
Passed through State Department of Transportation:							
Montana Safe Kids, Safe Communities (FY07)-Healthy Moms, Healthy Babies	20.600	N/A	30,000	0	7,435	7,435	0
Montana Safe Kids, Safe Communities (FY08)-Healthy Moms, Healthy Babies	20.600	N/A	30,000	0	17,351	17,351	0
MDT Safe Routes to School - Non-Infrastructure	20.205	Contract #103529	10,000	0	10,000	10,000	0
12th St Bike/Ped Bridge - Laurel	20.205	Control No. 6402	51,616	0	45,288	45,288	0
			121,616	0	80,074	80,074	0
Total U.S. Department of Transportation			\$147,866	\$0	\$99,302	\$99,302	\$0
U.S. Department of Justice							
Direct Programs:							
Project Safe Neighborhoods	16.609	2004-GP-CX-0699	150,000	0	38,116	38,116	0
2004 COPS in Schools Program	16.710	2004-SH-WX-0027	125,000	0	417	417	0
			275,000	0	38,533	38,533	0
Passed through State Board of Crime Control:							
Victim Witness Program	16.575	07-V04-90036	40,000	0	40,000	40,000	0
Anti-Gang/Gun Violence Program	16.744	06-N01-90127	49,233	0	0	0	0
Children of Incarcerated Parents	16.548	07-P02-90116	50,000	0	35,062	32,332	2,730
Reporting of Offender Management Data	16.550	MOU	18,000	0	16,532	16,532	0
Residential Substance Abuse Treatment	16.593	06-R01-82300	31,932	0	12,457	12,457	0
Jail-Based Treatment Project	16.738	07-G05-90205	54,578	0	54,578	54,578	0
Jail-Based Treatment Project	16.593	07-R01-90206	53,731	0	31,615	31,615	0
Billings KIDS Pilot Project	16.540	06-J19-82272	40,940	0	14,386	14,386	0
			338,414	0	204,630	201,900	2,730
Total U.S. Department of Justice			\$613,414	\$0	\$243,163	\$240,433	\$2,730
U.S. Department of Housing & Urban Development							
Passed through State Department of Commerce							
Community Development Block Grant/Custer Sewer	14.228	MT-CDBG-05PF-08	500,000	0	460,133	460,133	0
Community Development Block Grant/Link Communications	14.228	MT-CDBG-ED05-01	326,500	0	11,145	11,145	0
Total U.S. Department of Housing & Urban Development			\$826,500	\$0	\$471,278	\$471,278	\$0
U.S. Department of Health and Human Services							
Passed through State Department of Health and Human Services							
Foster Care Title IV-E	93.658	2005-3LEGL0018	N/A	\$0	95,686	95,686	0
Total U.S. Department of Health and Human Services			\$0	\$0	\$95,686	\$95,686	\$0
The accompanying notes are an integral part of this schedule.				109			

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 6/30/07</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 6/30/08</u>
U.S Department of Homeland Security							
Passed through State Department of Military Affairs, DES Division							
FY05 Homeland Security Law Enforcement Terrorism Prevention Program (LETPP)	97.067	2005-GE-T5-0006	800	0	690	690	0
			\$800	\$0	\$690	\$690	\$0
Passed through State Department of Natural Resources & Conservation							
Federal Emergency Management Agency Fire Management Assistance Grants	97.046	n/a	49,167	0	49,167	49,167	0
			\$49,167	\$0	\$49,167	\$49,167	\$0
Total U.S. Department of Homeland Security			\$49,967	\$0	\$49,857	\$49,857	\$0
U.S. Election Assistance Commission							
Passed through State Department of Administration							
Help America Vote Grant	90.401	n/a	33,164	10,422	192	192	10,230
Provisional Judge Grant	39.011	n/a	1,000	0	1,000	1,000	0
AutoMark Machines Maint Grant(HAVA)	90.401	n/a	13,380	0	13,380	13,380	0
Total U.S. Election Assistance Commission			\$47,544	\$10,422	\$14,572	\$14,572	\$10,230
U.S. Department of Interior							
Passed through State Department of Natural Resources & Conservation							
Yellowstone County Fuels Mitigation Program	10.664	WSF-07-004	30,000	0	29,946	29,946	0
Volunteer & Rural Fire Assistance Program	383.71	VFA-08-561	1,933	0	1,933	1,933	0
Rural Fire Assistance Program	15.DAX	RFA-08-562	6,152	0	4,637	4,637	0
Volunteer Fire Assistance Title IV Grant	10.664	VFA-08-560	6,960	0	6,960	6,960	0
			45,045	0	43,476	43,476	0
Direct Programs							
National Fire Plan (Wildfire Hazard Assessment & Mitigation Plan)	15.228	ESA030016	250,045	0	106,929	106,929	0
Pompey's Pillar Amenities	15.224	ESA06U021	270,000	0	28,155	28,155	0
Taylor Grazing	N/A	N/A	N/A	0	283	283	0
Bankhead Jones	N/A	N/A	N/A	0	2,057	2,057	0
			520,045	0	137,424	137,424	0
Total U.S Department of Interior			\$565,090	\$0	\$180,900	\$180,900	\$0
U.S. Department of Agriculture							
Passed through State Department of Agriculture							
Yellowstone County Saltcedar Management 2007	10.664	MDA 2007-0606G	10,500	0	10,350	10,350	0
Total U.S Department of Agriculture			\$10,500	\$0	\$10,350	\$10,350	\$0
TOTAL FEDERAL AWARDS			\$2,260,881	\$10,422	\$1,165,108	\$1,162,378	\$12,960
The accompanying notes are an integral part of this schedule.							
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YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008
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(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yellowstone County, Montana (County) and is presented using a basis of accounting which is consistent with the general purpose financial statements, which is described in note 1 to the County's general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to General Purpose Financial Statements

Federal awards revenues are reported in the County's general purpose financial statements as follows:

	<u>Federal Awards Revenues</u>	<u>State and Local Intergovernmental Revenue</u>	<u>Total Intergovernmental Revenues</u>
General Fund	\$ 720,671	\$ 187,340	\$ 908,011
Road Fund	2,057	1,729,174	1,731,231
Property and Liability Insurance Fund	0	4,225	4,225
Public Safety Fund	159,613	80,901	240,514
Capital Improvement Fund	0	446,200	446,200
Nonmajor Governmental Funds	<u>282,767</u>	<u>1,316,762</u>	<u>1,599,529</u>
Totals	\$ <u>1,165,108</u>	\$ <u>3,764,602</u>	\$ <u>4,929,710</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

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(3) Matching Funds

In accordance with the terms of the grants, the County has expended cash and in-kind matching contributions during the year ended June 30, 2008 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>US Department of Transportation</u>		
12 th St Bike/Ped Bridge – Laurel	Control No. 6402	<u>\$7,880</u>
<u>US Department of Justice</u>		
Victim Witness Program	VWP 07-V04-90036	10,000
Children of Incarcerated Parents	07-P02-90116	25,000
Jail Based Treatment Project	07-R01-90206	17,911
		<u>\$52,911</u>
<u>US Department of Interior</u>		
Yellowstone County Fuels Mitigation Program	WSF 07-004	6,750
Volunteer & Rural Fire Assistance Program	VFA 08-561	217
Rural Fire Assistance Program	RFA 08-562	495
Volunteer Fire Assistance Title IV Grant	VFA 08-560	773
National Fire Plan (Wildfire Hazard Assessment)	ESA 030016	12,470
		<u>\$20,705</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u><u>\$ 81,496</u></u>



YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Identification of Major Programs

14.228	Community Development Block Grant	\$471,278
	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
	Auditee qualified as low-risk auditee?	Yes

Financial Statement Findings: None

Federal Award Findings and Questioned Costs: None

Prior Year Audit Findings: None